

Impact Analysis-Proposed Permanent Rule Change

Agency: NC Department of Health and Human Services (DHHS)
Division of Social Services (DSS)
Child Welfare Section

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Rule Citation & Chapter Name: 10A NCAC 70I-Licensing Standards for Residential
Child-Care
70I .0308 Normalcy for Foster Children

Statutory Authority: G.S. 131D-10.2A; 131D-10.5; 143B-153

Summary of Impact:

State Impact: None

Local Impact: Yes

Private Sector: Yes

Substantial Economic Impact: None

I. Overview

Item (10) of Section 471 of the Social Security Act {42 U.S.C. 671} directs states to provide specific rules and policies based on national standards for foster care and child caring institutions.

II. Summary and Rationale for

Proposed Rule

10A NCA 70I .0308 proposed rule amendment requiring residential child-care facilities to develop and implement policies and procedures in accordance with G.S. 131D-10.2A that creates the “reasonable and prudent parent standard” to be used for foster children. This statute brings State law in line with Federal Law established by P.L. 113-183. The goals of the reasonable and prudent parent standard are to provide children and youth in foster care with access to normal childhood experiences and empower the placement provider to engage in activities which promote well-being. The reasonable and prudent parent standard is characterized by careful and sensible parental decisions that are intended to maintain the health, safety, and best interests of the child while at the same time encouraging the emotional and developmental growth of the child that a caregiver shall use when determining whether to allow a child in foster care under the responsibility of the State to participate in extracurricular, enrichment, cultural and social activities.

The rule amendment directs agencies on areas that must be addressed in their policies and procedures. Residential child care agencies are to appoint a designated official to apply the reasonable and prudent parent standard. This requirement applies to both existing licensed agencies and new agencies in accordance with G.S. 131D-10.2.

III. Analysis of Fiscal Impact

Local Agency Costs

The proposed rule amendment requires residential child-care agencies to develop policies and procedures to comply with 131D-10.2A. This is a one-time occurring requirement. Existing rules in 70E, F, G & I direct agencies and the governing boards to develop various policy and procedures to operationalize and show compliance with rules and laws. This one-time task is expected to take 16 hours or less of staff time,¹ resulting in minimal impact.

The rule amendment does require that residential child caring agencies appoint a designated official to provide oversight of the Reasonable Prudent Parent Standard as outlined in the agency's policy and procedures. There are 90 licensed agencies in the state that would be required to designate an official. There are 4 county DSS agencies that are licensed to provide residential child care services. The designated official would be responsible for determining whether to allow a child to participate in extracurricular, enrichment, cultural, and social activities, documentation of reasonable and prudent parenting standard decision making and attending training for residential staff in the area of reasonable and prudent parent standard.

A survey of all agencies providing Residential Child Care services resulted in reporting an average estimated cost of staff time to fulfill the Designated Official role as \$7,810 annually. As the procedures for implementing the reasonable and prudent parent standard are new, data are not available to develop per-child cost estimates for these proposed rules. Costs will therefore vary from the average estimate depending on the number of children served by each agency. The estimated total cost to the four local governments operating Residential Child Care agencies is \$31,240 in 2016 dollars (4 x \$7,810).

Staff time costs are expected to increase over time due to population growth and wage growth. Wage growth will affect total hourly compensation costs and a growing foster care population will affect the total number of staff hours devoted to these tasks. Wages are expected to increase by an average of 4% per year over the next 5 years,² while the population served (using the total foster care population as a proxy) is expected to grow by an average of 8% per year over the next three fiscal years.³

It is very difficult to extrapolate the annual growth rate of the staff costs from these projections; the staff cost estimates are reported on an agency-level basis rather than a per-child basis so the relationship between total population served and total staff hours is unknown. There are likely to be economies of scale in executing the Designated Official's duties so total hours will grow more slowly than total population. Similarly, total compensation is likely to grow more slowly than wages because some benefits are federally required – they are fixed costs that do not fluctuate with the wage rate. Assuming that wages contribute more to total staff costs than the total foster care population due to economies of scale, this analysis estimates a 4% annual growth rate in staffing costs. However, this estimate is highly uncertain.

¹ Source: Consultation with county DSS staff.

² Source: IHS Global Insight US Regional Database. July 2016 forecast of total nonfarm annual average wages in North Carolina.

³ Source: DSS projections of historical Foster Care population data.

Private Costs

There are 86 private agencies that are licensed to provide residential child care services. This analysis assumes that the average estimated cost to staff time to fulfill the Designated Official role for the Private agencies is also \$7,810 annually. The estimated total annual cost to the 86 private residential child care service providers is \$671,660 (86 x \$7,810). As the procedures for implementing the reasonable and prudent parent standard are new, data are not available to develop per-child cost estimates for these proposed rules. Costs will therefore vary from the average estimate depending on the number of children served by each private provider.

Benefits

Agencies will develop their policies and procedures to address and ensure compliance with G.S. 131D-10.2A that creates the “reasonable and prudent parent standard” to be used for foster children. The implementation of these policies and procedures will provide children and youth in foster care in residential settings with access to normal childhood experiences and empower the placement provider to engage in activities which promote well-being.

Summary

This analysis estimates that the four residential child care agencies operated by local governments and the 86 agencies operated by private entities will incur a combined cost of \$702,900 in FY 2017 for staff time to implement the reasonable and prudent parent standard. This analysis assumes that staff time costs will increase in future years due to projected growth in the foster care population and employee wages. DSS estimates that staffing costs will increase by 4% per year.

DSS expects these rules to improve the well-being of children and youth in foster care by providing caregivers with a framework for determining whether to allow a child in foster care to participate in extracurricular, enrichment, cultural and social activities. These benefits are unquantified.

Economic Impact Summary

	FY 2017	FY 2018	FY 2019	FY 2020 (recurring)
Benefits				
Private	Unquantified			
Costs				
Local	\$31,240	\$32,490	\$33,789	\$35,141
Private	\$671,660	\$698,526	\$726,467	\$755,526
Total Costs	\$702,900	\$731,016	\$760,257	\$790,667
NPV of Costs*	\$23,430,000			

*The figure represents a net present value (NPV) of costs as of July 1 2016 using a 7% discount rate. Costs are assumed to continue indefinitely, growing by 4% per year.

Appendix

10A NCAC 70I .0308 is proposed for adoption as follows:

10A NCAC 70I .0308 NORMALCY FOR FOSTER CHILDREN

A residential child-care facility shall develop and follow policies and procedures in accordance with 131D-10.2A.

(a) The agency shall demonstrate compliance with policies and procedures that includes:

- (1) appointment of a designated official(s) to apply the reasonable and prudent parent standard when determining whether to allow a child to participate in extracurricular, enrichment, cultural, and social activities;
- (2) documentation of reasonable and prudent parenting standard decision making;
- (3) training for residential staff in the area of reasonable and prudent parent standard; and
- (4) supervision and support to staff in the implementation of the reasonable and prudent parent standard.

Authority G.S. 131D-10.5;143B-153.